

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
and Floyd Valley Hospital Foundation
Le Mars, Iowa**

FINANCIAL REPORT

June 30, 2020 and 2019

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Floyd Valley Hospital d/b/a Floyd Valley Healthcare
OFFICIALS
June 30, 2020

Board of Trustees

Expiration of term

Ralph Klemme, Chairperson
Danna Schuster, Vice Chairperson
Janelle Bixenman, Secretary
Craig Bauerly, Treasurer
William Young

December, 2023
December, 2023
December, 2023
December, 2021
December, 2021

Administrator

Dustin Wright

Director of Financial Services

Daryl J. Friedenbach



INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Floyd Valley Hospital
d/b/a Floyd Valley Healthcare
LeMars, Iowa

We have audited the accompanying financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare, a component unit of the City of LeMars, Iowa, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents. We have also audited the accompanying financial statements of Floyd Valley Hospital Foundation, a component unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Floyd Valley Hospital d/b/a Floyd Valley Healthcare and Floyd Valley Hospital Foundation, as of June 30, 2020 and 2019, and the changes in its financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of comparative budgetary reporting, the schedule of changes in the Hospital's Net OPEB liability, related ratios and notes, the schedule of the Hospital's proportionate share of the net pension liability and the schedule of Hospital pension contributions and notes on pages 6-11, 43-49, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020, on our consideration of the Hospital's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's internal control over financial reporting and compliance.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 14, 2020

Floyd Valley Hospital d/b/a Floyd Valley Healthcare Management's Discussion and Analysis

As management of Floyd Valley Hospital d/b/a Floyd Valley Healthcare, we offer readers of the Organization's financial statements this narrative overview and analysis of the Organization's financial performance during the fiscal years ended June 30, 2020, 2019 and 2018. Please read it in conjunction with the Organization's financial statements, which follow this section.

Overview of the Financial Statements:

This annual report includes management's discussion and analysis report, the independent auditors report and the basic financial statements of the Organization. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements:

The financial statements of the Organization report information of the Organization using accounting methods similar to those used by private sector companies. These statements offer short and long term financial information about its activities. The statement of net position includes all of the Organization's assets, liabilities, deferred outflows and deferred inflows and provides information about the nature and amounts of investments in resources (assets) and the obligations to Floyd Valley Healthcare's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Organization and assessing the liquidity and the financial flexibility of the Organization.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Organization's operations over the past year and can be used to determine whether the Organization has successfully recovered all of its costs through its patient service revenue and other revenue sources, profitability and credit worthiness.

The final required financial statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, noncapital financing, capital and related financing and investing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Financial Highlights:

- Total assets and deferred outflows of resources increased by \$13.28 million from FY 2019 to \$71.1 million, primarily related to an increase in cash and investments from COVID-19 pandemic related funding provided through the federal government. This includes \$4.74 million from the Cares Act Provider Relief Funds. The Organization also received \$5.67 million from CMS in the form of Accelerated Payment provisions related to Medicare program to assist with the pandemic. The Organization also received a \$3.74 million loan under the Paycheck Protection Program administered by the Small Business Administration.
- Current liabilities increased by \$10.61 million primarily due to liabilities related to the subsidies provided by the Federal Government in the form of Cares Act payments. Current portion of long term debt increased by \$1.66 million related to the Paycheck Protection Program loan administered through the SBA.
- Total cash balances have increased by \$10.85 million from FY 2019 primarily related to various COVID-19 pandemic related funding described above.
- Net position increased by \$913 thousand from FY 2019.
- FY 2020 net patient service revenue remained unchanged from the prior year as the 4th quarter was significantly impacted with slower volumes related to the COVID-19 shutdown of elective services.
- FY 2020 expenses increased by \$1.72 million related to increase in supply and pharmaceutical costs. The Organization also recorded \$753 thousand in GASB 68 related reporting expenses for the unfunded liability of the IPERS retirement program in FY 2020.
- Total margin for FY 2020 was 2.2%, compared to 2.7% for FY 2019 and 1.0% for FY 2018.

Financial Analysis of the Organization:

The statement of net position and the statement of revenues, expenses, and changes in net position report the net position of the Organization and the changes in it. The Organization's net position – the difference between assets and liabilities – are a way to measure financial health or financial position. Over time, sustained increases or decreases in the Organization's net position are one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors such as changes in economic conditions, population growth and new or changed government legislation should also be considered.

Net Position:

A summary of the Organization's statements of net position at June 30, 2020, 2019, and 2018 are presented in Table 1 below:

Table 1
Condensed Statements of Net Position
(in thousands)

	June 30, 2020	June 30, 2019	June 30, 2018
Current and other assets	\$45,835	\$30,968	\$29,774
Capital assets	<u>\$25,228</u>	<u>\$26,810</u>	<u>\$27,399</u>
Total Assets and Deferred Outflows of Resources	\$71,063	\$57,778	\$57,173
Long term liabilities	\$31,330	\$30,525	\$31,473
Other liabilities	<u>\$19,460</u>	<u>\$ 7,892</u>	<u>\$ 7,420</u>
Total Liabilities and Deferred Inflows of Resources	\$50,790	\$38,417	\$38,893
Invested in Capital Assets	\$ 6,084	\$ 7,139	\$ 6,805
Restricted	\$ 491	\$ 415	\$ 190
Unrestricted	<u>\$13,698</u>	<u>\$11,806</u>	<u>\$11,285</u>
Total Net Position	\$20,273	\$19,360	\$18,280

Revenues, Expenses, and Changes in Net Position:

The following table presents a summary of the Organization's historical revenues and expenses for each of the fiscal years ended June 30, 2020, 2019 and 2018.

Table 2
Condensed Statements of Revenue, Expenses, and Changes in Net Position
(In Thousands)

	2020	2019	2018
Total Revenue	\$40,789	\$40,393	\$38,958
Expenses	\$42,308	\$40,584	\$39,078
Operating Income	\$(1,519)	\$ (191)	\$ (120)
Non-Operating Gains (Losses)	\$ 1,832	\$ (269)	\$ (230)
Excess of Revenues over expenses before contributions	\$ 313	\$ (460)	\$ (350)
Contributions	\$ 599	\$ 1,540	\$ 751
Changes in Net position	\$ 912	\$ 1,080	\$ 401
Total Net position, Beginning	\$19,360	\$18,280	\$17,879
Total Net position, Ending	\$20,273	\$19,360	\$18,280

Operating and Financial Performance:

The following summarizes the Organization's statements of revenue, expenses, and changes in net position for June 30, 2020, 2019 and 2018.

Volume: Acute inpatient discharges for fiscal year 2020 were 4% greater than in 2019. Outpatient utilization decreased from the prior fiscal year as outpatient services were most significantly impacted by the reduction in services due to COVID-19. Swing bed discharges were 15% greater than the prior year, while Home Health visits were 8% less than the prior year. The number of clinic visits at the Family Medicine Clinic was 5% less than the prior fiscal year, also significantly impacted by COVID-19.

Net Patient Service Revenue: Due to rate increases, and the changes in services described above, net patient revenues were unchanged in comparison to fiscal year 2019.

Payor Mix: The payor mix of the patients served has an impact on the net revenues of the Organization because of different contractual payment rates for various payor types. Generally as a Critical Access Hospital the Medicare reimbursement is made based on the cost of providing the services. Other commercial payor's rates are determined by contracts based on fee schedules or percentage of charges billed.

The following table presents the relative percentages of gross charges billed for patient services by payor for the years ended June 30, 2020, 2019 and 2018.

Table 3
Payor Mix by Percentage

	Year Ended June 30		
	2020	2019	2018
Medicare	41.8%	39.9%	39.3%
Wellmark Blue Cross	28.9%	30.2%	31.8%
Commercial	11.7%	12.3%	11.1%
Medicaid	12.8%	13.0%	13.0%
All others	4.8%	4.6%	4.8%

Other Revenue: Floyd Valley Healthcare receives various revenues from non-patient related services, the largest of which is the revenues associated with contract pharmacy arrangements with retail pharmacies. These revenues increased by 2% from the prior year. Revenues associated with the assisted living facility increased 7% from the prior year.

Expenses: Nursing Services expenses were 1% greater than the prior year.

Other professional services increased by 5% primarily due to supplies and professional fee cost increases.

General Service expenses decreased 3% primarily due to decreased staffing levels.

All other fiscal and administrative service costs increased by 7% primarily related to employee benefit costs including payroll taxes, and group health insurance cost for employees.

Capital Assets:

At the end of fiscal year 2020, the Organization has invested approximately \$25.2 million in capital assets as shown in Table 4.

Table 4
Capital Assets
(in thousands)

	June 30,		
	2020	2019	2018
Land & Land Improvements	\$ 1,334	\$ 1,334	\$ 1,334
Buildings	\$ 36,510	\$ 36,116	\$ 35,226
Major Moveable Equipment	\$ 9,830	\$ 9,313	\$ 9,047
Medical records	\$ 253	\$ 253	\$ 253
Construction/Equipment Installs in Progress	\$ 6	\$ 27	\$ 8
Subtotal	\$ 47,933	\$ 47,042	\$ 45,868
Less accumulated depreciation	\$(11,705)	\$(20,232)	\$(18,469)
Capital assets, net	\$ 25,228	\$ 26,810	\$ 27,399

Debt Administration:

At the end of fiscal year 2020, the Organization had \$19.1 million in debt related to Hospital Revenue Bonds. More detailed information regarding Floyd Valley Healthcare's debt is presented in the Notes to the Financial Statements.

Deferred Outflows and Inflows of Resources

As of June 30, 2019, the Organization reported \$2,958,005 of deferred outflows of resources and \$1,657,555 of deferred inflows of resources. The Notes to the Financial Statements provide more detail regarding the nature and components of the deferred outflows and inflows of resources.

Performance Compared to Budget:

Net patient revenues were \$36 million which was 5% less than budget for fiscal year ended June 30, 2020.

Total operating revenues of \$40.8 million were 3% less than budget expectations for fiscal year ended June 30, 2020.

Operating expenses were \$42.3 million which was 4% less than budget expectations for the fiscal year ended June 30, 2020.

The non-operating gains of \$2.4 million exceeded budget by 486% as contributions exceeded the budget expectations.

The following table compares fiscal year 2020 actual to budget information.

Table 5
Budget vs. Actual
(in thousands)

	FY 2020 Actual	FY 2020 Budget	Dollar Variance	Percent Variance
Gross patient service revenue	\$ 62,069	\$ 64,867	\$(2,798)	(4)%
Contractual Adjustments & Bad Debt	\$(26,041)	\$(26,823)	\$ 782	3%
Net patient service revenue	\$ 36,028	\$ 38,043	\$(2,015)	(5)%
Other operating revenue	\$ 4,761	\$ 4,002	\$ 759	19%
Total operating revenue	\$ 40,789	\$ 42,045	\$(1,256)	(3)%
Operating Expenses	\$ 42,308	\$ 44,102	\$(1,794)	(4)%
Operating Gain/Loss	\$ (1,519)	\$ (2,057)	\$ 538	26%
Non-Operating Gains	\$ 2,432	\$ 415	\$ 2,017	486%
Excess of Revenues over Expenses	\$ 913	\$ (1,642)	\$ 2,555	155%

Economic and Other Factors and Next Year's Budget:

Floyd Valley Healthcare's board and management considered many factors when setting the fiscal year 2021 budget. Of primary importance are the market forces and environmental factors impacting healthcare such as:

- Medicare and Medicaid reimbursement rates
- Reimbursement rates of other payor's especially Wellmark Blue Cross, who has significant market share
- Cost of supplies including escalating drug costs
- Workforce shortages and the impact on salary costs
- Regulatory changes including healthcare reform
- Ability to service the annual debt from operations
- Physician recruitment, especially family practice physicians
- Impact of COVID-19 pandemic on upcoming organizational volumes and reimbursements

Contacting Floyd Valley Healthcare's Management

This financial report is designed to provide our customers, government officials and creditors with a general overview of the Organization's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional information, contact the Floyd Valley Healthcare at (712) 546-7871 or write care of: Director of Financial Services, Floyd Valley Healthcare, 714 Lincoln Street NE, Le Mars, Iowa 51031.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF NET POSITION

	June 30	
	2020	2019
CURRENT ASSETS		
Cash	\$16,735,948	\$10,120,293
Certificates of deposit	3,900,000	500,082
Assets whose use is limited, required for current liabilities	558,641	538,333
Patient receivables, less allowance for contractual adjustments and uncollectible accounts		
2020 \$4,394,704; 2019 \$4,981,824	4,999,019	5,283,259
Other current receivables	178,112	108,616
Current portion of notes receivable	50,613	127,563
Inventories	507,865	438,617
Prepaid expenses	359,028	285,215
Total current assets	<u>27,289,226</u>	<u>17,401,978</u>
ASSETS WHOSE USE IS LIMITED		
Designated by board for plant replacement and expansion		
Cash	776,919	156,661
Certificates of deposit	9,864,004	8,532,777
Accrued interest receivable	50,875	52,434
	<u>10,691,798</u>	<u>8,741,872</u>
Restricted for payment of revenue notes and interest, and paycheck protection program loan		
Cash	3,984,577	376,301
	<u>3,984,577</u>	<u>376,301</u>
Restricted by donors for specific purpose		
Cash	49,041	39,017
Total assets whose use is limited	14,725,416	9,157,190
Less assets whose use is limited and that are required for current liabilities	558,641	538,333
Noncurrent assets whose use is limited	<u>14,166,775</u>	<u>8,618,857</u>
CAPITAL ASSETS	47,933,149	47,042,198
Less accumulated depreciation	<u>22,705,153</u>	<u>20,231,713</u>
Total capital assets	<u>25,227,996</u>	<u>26,810,485</u>
OTHER ASSETS		
Notes receivable, net of current portion	125,660	159,369
Beneficial interest in remainder trust	1,101,000	1,110,000
Investment in Northwest Iowa Diagnostics	53,189	35,317
Investment in Floyd Valley Home Medical Equipment	140,947	141,152
Total other assets	<u>1,420,796</u>	<u>1,445,838</u>
Total assets	<u>68,104,793</u>	<u>54,277,158</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	2,949,468	3,491,294
OPEB related deferred outflows	8,537	9,552
Total deferred outflows of resources	<u>2,958,005</u>	<u>3,500,846</u>

See Notes to Financial Statements.

	June 30	
	2020	2019
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 534,845	\$ 521,007
Paycheck protection program loan current portion	1,661,443	—
Accounts payable		
Trade	3,589,374	4,065,680
Accrued employee compensation	2,271,563	1,529,750
Security deposits	19,400	22,200
Payroll taxes and amounts withheld from employees	270,902	222,125
Estimated third-party payor settlements	835,000	810,000
CMS advanced payments and provider relief funds	8,550,679	—
Accrued interest	23,796	17,326
Deferred revenue	44,800	—
Total current liabilities	<u>17,801,802</u>	<u>7,188,088</u>
LONG-TERM LIABILITIES		
Long-term debt, less current maturities	18,609,208	19,142,761
Paycheck protection program loan	2,073,757	—
Net OPEB liability	80,243	73,513
Net pension liability	<u>10,567,068</u>	<u>11,309,086</u>
Total long-term liabilities	<u>31,330,276</u>	<u>30,525,360</u>
Total liabilities	<u>49,132,078</u>	<u>37,713,448</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	<u>1,657,555</u>	<u>703,923</u>
Total deferred inflows of resources	<u>1,657,555</u>	<u>703,923</u>
NET POSITION		
Net investment in capital assets	6,083,943	7,139,433
Restricted	490,817	415,318
Unrestricted	<u>13,698,405</u>	<u>11,805,882</u>
Total net position	<u>\$20,273,165</u>	<u>\$19,360,633</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year ended June 30	
	2020	2019
NET PATIENT SERVICE REVENUE , net of provisions for bad debts 2020 \$1,297,875; 2019 \$1,437,766	\$36,027,993	\$36,032,188
OTHER REVENUE	<u>4,760,643</u>	<u>4,360,706</u>
Total revenue	<u>40,788,636</u>	<u>40,392,894</u>
OPERATING EXPENSES		
Nursing service	8,729,455	8,542,118
Other professional service	17,406,423	16,566,499
General service	1,990,113	2,051,245
Fiscal and administrative service and unassigned expenses	11,624,910	10,947,548
Provision for depreciation and amortization	<u>2,556,794</u>	<u>2,476,357</u>
Total operating expenses	<u>42,307,695</u>	<u>40,583,767</u>
Operating (loss)	<u>(1,519,059)</u>	<u>(190,873)</u>
NONOPERATING GAINS (LOSSES)		
Interest income	381,479	265,365
Interest and amortization expense	(499,288)	(515,716)
Provider relief funds	1,858,813	—
Unrestricted contributions	405	683
Change in value of split-interest agreement	(9,000)	(60,000)
Equity in earnings of equity method investments	102,982	45,898
(Loss) on disposal of equipment	<u>(3,054)</u>	<u>(5,167)</u>
Total nonoperating gains (losses)	<u>1,832,337</u>	<u>(268,937)</u>
Excess (deficiency) of revenues (losses) over expenses before restricted contributions	313,278	(459,810)
RESTRICTED CONTRIBUTIONS	<u>599,254</u>	<u>1,540,129</u>
Change in net position	912,532	1,080,319
TOTAL NET POSITION		
Beginning	<u>19,360,633</u>	<u>18,280,314</u>
Ending	<u>\$20,273,165</u>	<u>\$19,360,633</u>

See Notes to Financial Statements.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients and third-party payors	\$36,337,233	\$36,071,036
Cash paid to employees for service	(13,290,403)	(14,228,755)
Cash paid to suppliers for goods and services	(25,417,431)	(23,804,639)
Other operating revenue received	<u>4,736,201</u>	<u>4,487,820</u>
Net cash provided by operating activities	<u>2,365,600</u>	<u>2,525,462</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Unrestricted contributions received	405	683
CMS advanced payments	5,670,000	—
Provider relief funds	4,739,492	—
Paycheck protection program proceeds	<u>3,735,200</u>	<u>—</u>
Net cash provided by noncapital financing activities	<u>14,145,097</u>	<u>683</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of capital assets	(977,716)	(1,117,991)
Proceeds from sale of capital assets	357	2,141
Principal paid on long-term debt	(519,715)	(906,646)
Interest paid on long term debt	(492,796)	(516,173)
Contributions restricted for capital assets, net	<u>599,254</u>	<u>740,129</u>
Net cash (used in) capital and related financing activities	<u>(1,390,616)</u>	<u>(1,798,540)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(8,864,004)	(7,257,777)
Proceeds from maturities of certificates of deposit	4,129,783	7,255,200
Distribution and proceeds from Floyd Valley Home Medical Equipment, net	103,187	87,400
Distribution and proceeds from Northwest Iowa Diagnostics, net	(17,872)	4,483
Interest received	<u>383,038</u>	<u>233,376</u>
Net cash provided by (used in) investing activities	<u>(4,265,868)</u>	<u>322,682</u>
NET INCREASE IN CASH	10,854,213	1,050,287
CASH		
Beginning	<u>10,692,272</u>	<u>9,641,985</u>
Ending	<u>\$21,546,485</u>	<u>\$10,692,272</u>

See Notes to Financial Statements.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
STATEMENTS OF CASH FLOWS (continued)

	Year ended June 30	
	2020	2019
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating (loss)	\$ (1,519,059)	\$ (190,873)
Adjustments to reconcile operating (loss) to net cash provided by operating activities		
Provision for depreciation and amortization	2,556,794	2,476,357
Gain on sale of assets	3,054	—
Forgive note receivable	122,659	115,568
Change in assets, liabilities, deferred outflows and deferred inflows		
Patient receivables	284,240	(486,152)
Other current receivables	(69,496)	129,314
Inventories	(69,248)	(9,754)
Prepaid expenses	(73,813)	(18,059)
Notes receivable	(12,000)	—
Estimated third-party payor settlements	25,000	525,000
Pension related deferred outflows	541,826	58,922
Accounts payable, net of amounts for capital assets	(476,306)	(424,342)
Accrued employee compensation	741,813	64,592
Security deposits	(2,800)	(2,200)
Payroll taxes and withholdings	48,777	30,067
Deferred revenue	44,800	—
Pension related deferred inflows	953,632	289,467
Net pension liability	(742,018)	(37,512)
Net OPEB liability	6,730	10,158
OPEB related deferred outflows	<u>1,015</u>	<u>(5,091)</u>
Net cash provided by operating activities	<u>\$ 2,365,600</u>	<u>\$ 2,525,462</u>
RECONCILIATION OF CASH PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION		
Per statement of net position		
Current assets	\$16,735,948	\$10,120,293
Assets whose use is limited		
Designated by board for plant replacement and expansion	776,919	156,661
Restricted for payment of revenue notes and interest	3,984,577	376,301
Restricted by donors for specific purpose	<u>49,041</u>	<u>39,017</u>
Total per statements of cash flows	<u>\$21,546,485</u>	<u>\$10,692,272</u>
SCHEDULE OF NONCASH FINANCING AND INVESTING ACTIVITIES		
(Decrease) in beneficial interest in remainder trust	\$ <u>(9,000)</u>	\$ <u>(60,000)</u>
Senior center building donation	\$ <u>—</u>	\$ <u>800,000</u>

See Notes to Financial Statements.

Floyd Valley Hospital Foundation
(A Component Unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare)
STATEMENTS OF FINANCIAL POSITION

	June 30	
ASSETS	2020	2019
Interest in the net assets of Avera Health Investment Pool	\$1,669,507	\$ 688,565
Contributions receivable	453,250	425,468
Other receivables	<u>9,977</u>	<u>—</u>
Totals	<u>\$2,132,734</u>	<u>\$1,114,033</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ <u>3,833</u>	\$ <u>1,683</u>
NET ASSETS		
Without donor restrictions		
Designated by Board for endowment	79,889	80,540
Undesignated	1,185,365	173,825
With donor restrictions	<u>863,647</u>	<u>857,985</u>
Total net assets	<u>2,128,901</u>	<u>1,112,350</u>
Totals	<u>\$2,132,734</u>	<u>\$1,114,033</u>

See Notes to Financial Statements.

Floyd Valley Hospital Foundation
(A Component Unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare)
STATEMENTS OF ACTIVITIES

	Year ended June 30, 2020			Year ended June 30, 2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
REVENUES AND OTHER SUPPORT						
Contributions	\$ 996,835	\$ 65,900	\$1,062,735	\$ 5,304	\$ 76,432	\$ 81,736
Special events	83,443	23,702	107,145	81,887	92,764	174,651
Investment gain	(22,073)	(837)	(22,910)	10,082	14,174	24,256
	<u>1,058,205</u>	<u>88,765</u>	<u>1,146,970</u>	<u>97,273</u>	<u>183,370</u>	<u>280,643</u>
Net assets released from restrictions						
Satisfaction of purpose	83,103	(83,103)	—	174,842	(174,842)	—
Total revenue and support	<u>1,141,308</u>	<u>5,662</u>	<u>1,146,970</u>	<u>272,115</u>	<u>8,528</u>	<u>280,643</u>
EXPENSES						
Program services						
Floyd Valley Hospital Employee Assistance	1,460	—	1,460	4,780	—	4,780
Capital Campaign	413	—	413	100,000	—	100,000
Health Education costs	—	—	—	2,691	—	2,691
Pediatrics, cost of direct benefit to donors	8,153	—	8,153	39,970	—	39,970
Breast Cancer Detection Assistance	—	—	—	33	—	33
Caring for life, cost of direct benefit to donors	46,250	—	46,250	63,492	—	63,492
Cancer services	70,350	—	70,350	28,261	—	28,261
Musson Scholarships	1,100	—	1,100	575	—	575
Total program services	<u>127,726</u>	<u>—</u>	<u>127,726</u>	<u>239,802</u>	<u>—</u>	<u>239,802</u>
Supporting service						
Administrative services	2,693	—	2,693	2,199	—	2,199
Total expenses	<u>130,419</u>	<u>—</u>	<u>130,419</u>	<u>242,001</u>	<u>—</u>	<u>242,001</u>
CHANGE IN NET ASSETS	1,010,889	5,662	1,016,551	30,114	8,528	38,642
NET ASSETS , beginning of year	<u>254,365</u>	<u>857,985</u>	<u>1,112,350</u>	<u>224,251</u>	<u>849,457</u>	<u>1,073,708</u>
NET ASSETS , end of year	<u>\$1,265,254</u>	<u>\$ 863,647</u>	<u>\$2,128,901</u>	<u>\$ 254,365</u>	<u>\$ 857,985</u>	<u>\$1,112,350</u>

See Notes to Financial Statements.

Floyd Valley Hospital Foundation
(A Component Unit of Floyd Valley Hospital d/b/a Floyd Valley Healthcare)
STATEMENTS OF CASH FLOWS

	Year ended June 30	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$1,016,551	\$ 38,642
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Contributions receivable	(27,782)	38,827
Other receivables	(9,977)	—
Accounts payable	2,150	(3,460)
Net cash provided by operating activities	<u>980,942</u>	<u>74,009</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase/redemption of the interest in the net assets of Avera Health Foundation	<u>(980,942)</u>	<u>(74,009)</u>
Net cash (used in) investing activities	<u>(980,942)</u>	<u>(74,009)</u>
NET CHANGE IN CASH	—	—
CASH		
Beginning	<u>—</u>	<u>—</u>
Ending	<u>\$ —</u>	<u>\$ —</u>

See Notes to Financial Statements.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The Hospital is the municipal hospital of the City of Le Mars, Iowa, organized under Chapter 392, Code of Iowa, not subject to taxes on income or property. The Hospital is governed by a five member Board of Trustees elected for terms of four years. The Hospital grants credit to patients, substantially all of whom are city residents or reside in the immediate vicinity.

Reporting Entity

For financial reporting purposes, the Hospital has included all funds, organizations, agencies, boards, commissions and authorities that are not legally separate. The Hospital has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the Hospital to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Hospital. These criteria also include organizations that are fiscally dependent on the Hospital. Floyd Valley Hospital d/b/a Floyd Valley Healthcare has one component unit which meets the Governmental Accounting Standards Board criteria. This component unit is the Floyd Valley Hospital Foundation. The Foundation's financial statements are separately presented on pages 17-19.

The Hospital is includable as a component unit within the City of Le Mars, Iowa reporting entity due to fiscal dependence.

Measurement Focus and Basis of Accounting

The Hospital is accounted for on the flow of economic resources measurement focus. The fundamental objective of this focus is to measure whether the Hospital is better or worse off economically as a result of events and transactions of the period.

The financial statements have been prepared in accordance with accounting principles which are applicable to health care proprietary funds of a governmental entity. The Hospital uses the accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

As required by the Not-for-Profit Entities Topic of the FASB Accounting Standards Codification, the Foundation reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions are those assets that have no donor imposed stipulations. The Foundation's governing board may earmark portions of its net assets without donor restrictions as board designated for various purposes.

Net assets with donor restrictions represent contributions or other inflows of assets whose use by the Foundation is limited by donor imposed stipulations. As donor imposed stipulations expire, net assets with donor restrictions are reclassified as net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Investments and Investment Income

The Hospital's investments are nonnegotiable certificates of deposit and are reported at cost.

The nonnegotiable certificates of deposit are nonparticipating contracts not significantly affected by impairment of the issuer's credit standing or other factors.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and Investment Income (continued)

Investment income is reported as nonoperating gains.

Assets held by Avera Health Investment Pool by the Floyd Valley Hospital Foundation with readily determinable market values are stated at fair value. The fair value of all debt and equity securities with readily determinable fair values are based on quotations obtained from national and foreign securities exchanges.

The Foundation participates in the Avera Pooled Investment Fund, a fund administered by Avera Health. The Pooled Investment Fund has a portion of its holdings in alternative investments, which are not readily marketable. These alternative investments include partnerships and other interests that invest in hedge funds, real asset funds, and private equity/venture capital funds, among others. Certain alternative investments held within Avera Pooled Investment Fund include liquidity and redemption limitations. Alternative investments representing less than 3% ownership interest are carried at cost. Alternative investments representing greater than 3% ownership interest are recorded using the equity method. Investment income, including interest, dividends, realized gains and losses, and unrealized gains and losses are allocated to participants of the Avera Pooled Investment Fund. (See Note 20)

Revenue Recognition and Contributions Receivable

Contributions are recognized as revenue when the donor makes a promise to give to the Foundation which is, in substance, unconditional. Conditional promises to give are recognized only when the conditions on which they depend are substantially met. Unconditional contributions are recorded as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. An allowance for doubtful accounts is provided based upon management's judgment, including such factors as prior history and nature of the contribution.

Public support that is expected to be collected within one year is recorded at its net realizable value. Public support that is expected to be collected in future years is reported at fair value using present value techniques. The discount on those amounts is computed using an interest rate applicable in the year in which the contribution was received. All grants and contributions receivable as of June 30, 2020 are anticipated to be collected in the following year and, therefore, no discount has been recorded.

Inventories

Inventories are stated at cost, based on the first-in, first-out method.

Assets Whose Use is Limited

Assets whose use is limited consists primarily of funds designated by the Board of Trustees for the improvement, replacement, and expansion of capital assets. The Board retains control over these funds and may, at its discretion, subsequently use them for other purposes. Gifts and bequests whose use is restricted are also included in restricted assets.

Capital Assets

Capital assets acquisitions are recorded at cost. Capital assets donated for Hospital operations are recorded at fair value at the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed on the straight-line method. The range of estimated useful lives applied by the Hospital is three to forth years.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

OPEB Liability

For purposes of measuring the OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the Hospital's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the statement of net position consists of the unamortized portion of the net difference between projected and actual earnings on IPERS' investments and OPEB plans.

Net Position

Net position is presented in the following three components:

Invested in capital assets

Invested in capital assets, consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of the notes payable and construction payables that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position

Restricted net position consists of funds restricted on which constraints have been externally imposed by creditors (such as through debt covenants) grantors, contributors, or laws or regulations of other governments.

Unrestricted net position

Unrestricted net position has no externally imposed restrictions on use.

When the Hospital has both restricted and unrestricted net position are available for use, it is the Hospital's policy to use restricted net position first.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Statements of Revenue, Expenses, and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and expenses. Peripheral or incidental transactions are reported as nonoperating gains and losses. Operating expenses are all expenses incurred to provide health care services.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Revenues, Expenses, and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as revenue and expenses. Revenues and expenses reported as nonoperating include county tax revenues and other subsidies, interest income and expense, gain or loss on sale of assets, transfers from related foundation and contributions.

Credit Policy

The Hospital grants credit to patients.

Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Accounting Estimates and Assumptions

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Fair Value Measurements of Foundation Interest in Avera Health Investment Pool

The Foundation, based on information received from Avera Pooled Investment Fund, has determined the fair value of its interest in accordance with the provisions of The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*, which provides a framework for measuring fair value under generally accepted accounting principles.

The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification* defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. It requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. It also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements of Foundation Interest in Avera Health Investment Pool (continued)

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Income Taxes

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Foundation and recognize a tax liability (or asset) for an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has evaluated their material tax positions and determined there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosures in the financial statements. The Foundation is subject to routine audits by tax authorities; however, there are currently no audits for any tax periods in progress. Management believes the Foundation is no longer subject to income tax examinations for tax years prior to 2016.

Functional Expenses

The accompanying statements of activities report expenses on a natural classification, which for the Foundation, is reporting them a manner reflective of that of functional expense classification. The Foundation's program services and primarily directed towards supporting the Hospital and program expenses are all included under program services on the statements of activities. Administrative costs of the Foundation are segregated.

Change in Accounting Principle

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08 *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The ASU provided additional clarity on transactions which are to be recorded as contributions (nonreciprocal transactions) of exchange (reciprocal) transactions along with additional guidance on conditional contributions. The Foundation adopted the ASU effective July 1, 2019, utilizing the full retrospective method of transition. Adoption of the new guidance resulted in no changes to the amounts reported in the fiscal year 2019 financial statements.

Liquidity

The Foundation monitors its liquidity so that it is able to meet its operating needs while maximizing the investment of its excess cash. The Foundation's financial assets available within one year of the statements of financial position date for general expenses are as follows:

	June 30	
	<u>2020</u>	<u>2019</u>
Interest in the net assets of Avera Health Insurance Pool	<u>\$1,269,087</u>	<u>\$ 256,048</u>

Subsequent Events

The Foundation has evaluated subsequent events through October 14, 2020, which was the date the financial statements were available to be issued. There were no subsequent events required to be accrued or disclosed.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 2 CASH AND INVESTMENTS

The Hospital's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Hospital is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district and common stocks.

As to interest rate risk, the Hospital's investment policy limits the investment of operating funds in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

NOTE 3 PATIENT RECEIVABLES

Patient accounts receivable reported as current assets consisted of these amounts:

	June 30	
	<u>2020</u>	<u>2019</u>
Receivable from patients	\$ 3,366,815	\$ 3,721,501
Receivable from insurance carriers	2,675,898	3,113,093
Receivable from Medicare	2,258,260	2,484,852
Receivable from Medicaid	<u>1,092,750</u>	<u>945,637</u>
Total patient receivables	9,393,723	10,265,083
Less allowances for contractual and other adjustments	<u>(4,394,704)</u>	<u>(4,981,824)</u>
Totals	<u>\$ 4,999,019</u>	<u>\$ 5,283,259</u>

NOTE 4 NOTES RECEIVABLE

The Hospital has entered into agreements with physicians, with amounts to be forgiven over specified periods.

The notes receivable at June 30, 2020, are expected to be received/forgiven as follows:

Year ending June 30,	
2021	\$ 50,613
2022	51,140
2023	55,608
2024	11,008
2025	7,304
Thereafter	<u>600</u>
Total	<u>\$ 176,273</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2020 and 2019 follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending June 30, 2020</u>
Land	\$ 185,160	\$ —	\$ —	\$ —	\$ 185,160
Land improvements	1,149,014	—	—	—	1,149,014
Buildings and fixed equipment	36,115,856	—	—	394,004	36,509,860
Major movable equipment	9,312,630	413,963	(86,765)	190,923	9,830,751
Intangible					
Medical records	252,633	—	—	—	252,633
Construction and equipment installations in progress	<u>26,905</u>	<u>563,753</u>	<u>—</u>	<u>(584,927)</u>	<u>5,731</u>
Totals	47,042,198	977,716	(86,765)	—	47,933,149
Less accumulated depreciation and amortization	<u>(20,231,713)</u>	<u>(2,556,794)</u>	<u>83,354</u>	<u>—</u>	<u>(22,705,153)</u>
Net capital assets	<u>\$26,810,485</u>	<u>\$ (1,579,078)</u>	<u>\$ (3,411)</u>	<u>\$ —</u>	<u>\$25,227,996</u>

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Ending June 30, 2019</u>
Land	\$ 185,160	\$ —	\$ —	\$ —	\$ 185,160
Land improvements	1,149,014	—	—	—	1,149,014
Buildings and fixed equipment	35,225,525	843,511	—	46,820	36,115,856
Major movable equipment	9,047,265	945,594	(720,379)	40,150	9,312,630
Intangible					
Medical records	252,633	—	—	—	252,633
Construction and equipment installations in progress	<u>8,264</u>	<u>105,611</u>	<u>—</u>	<u>(86,970)</u>	<u>26,905</u>
Totals	45,867,861	1,894,716	(720,379)	—	47,042,198
Less accumulated depreciation and amortization	<u>(18,468,427)</u>	<u>(2,476,357)</u>	<u>713,071</u>	<u>—</u>	<u>(20,231,713)</u>
Net capital assets	<u>\$27,399,434</u>	<u>\$ (581,641)</u>	<u>\$ (7,308)</u>	<u>\$ —</u>	<u>\$ 26,810,485</u>

Construction in progress at June 30, 2020 consists of costs incurred related to remodel of pharmacy. Total cost of the project is estimated at approximately \$250,000. The project is to be funded by current funds of the Hospital.

NOTE 6 LAND AND BUILDINGS LEASED TO OTHERS

The Hospital leases space in various medical office buildings. The leases call for monthly rentals of \$2,109. The Hospital is responsible for all property taxes, utilities, and housekeeping.

Other revenue for the years ended June 30, 2020 and 2019 includes gross rental income of \$25,308 and \$26,634, respectively, for these leases.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 7 ASSETS RESTRICTED FOR PAYMENT OF REVENUE NOTES AND INTEREST, AND PAYCHECK PROTECTION PROGRAM LOAN

Assets restricted for payment of revenue notes and interest are required to be funded by a note resolution. Following are the changes in these assets for the years ended June 30, 2020 and 2019.

	<u>Total</u>	<u>Reserve Fund</u>	<u>Sinking Fund</u>
Balance, June 30, 2018	\$ 120,006	\$ 110,580	\$ 9,426
Interest payments	(10,285)	—	(10,285)
Principal payments	(400,001)	—	(400,001)
Other income	<u>666,581</u>	<u>66,348</u>	<u>600,233</u>
Balance, June 30, 2019	376,301	176,928	199,373
Interest payments	(96,325)	—	(96,325)
Principal payments	(102,175)	—	(102,175)
Other income	<u>3,806,776</u>	<u>66,348</u>	<u>3,740,428</u>
Balance, June 30, 2020	<u>\$3,984,577</u>	<u>\$ 243,276</u>	<u>\$3,741,301</u>

NOTE 8 INVESTMENT IN NORTHWEST IOWA DIAGNOSTICS

The Hospital has a 44% investment interest in Northwest Iowa Diagnostics, an entity engaged in providing ultrasound technology staffing services. The investment is accounted for using the equity method. The Hospital has recorded its share of the entity's income (loss) of \$17,872 and \$(4,483) for the years ended June 30, 2020 and 2019, respectively.

Northwest Iowa Diagnostics is an entity formed under chapter 28E of the Iowa Code. The Hospital is a contributing member. The Hospital leases two Hospital employees to provide services for Northwest Iowa Diagnostics. During the years ended June 30, 2020 and 2019, the Hospital received \$314,887 and \$322,777, respectively, in lease revenue from Northwest Iowa Diagnostics related to this agreement. The Hospital paid \$244,125 and \$243,350 to Northwest Iowa Diagnostics for ultrasound services rendered to the Hospital during the years ended June 30, 2020 and 2019, respectively. Separate financial statements of the entity can be obtained by contacting the Hospital's Director of Financial Services.

NOTE 9 INVESTMENT IN FLOYD VALLEY HOME MEDICAL EQUIPMENT

The Hospital has a 50% investment interest in Floyd Valley Home Medical Equipment, an entity engaged in the sale and implementation of medical equipment for home use. The investment is accounted for using the equity method. The Hospital has recorded its share of the entity's income of \$102,982 and \$45,664 for the years ended June 30, 2020 and 2019, respectively.

Floyd Valley Home Medical Equipment is an entity formed under chapter 28E of the Iowa Code. The Hospital is a contributing member. The Hospital leases two Hospital employees to provide services for Floyd Valley Home Medical Equipment as well as office space in the Hospital's facility. During the years ended June 30, 2020 and 2019, the Hospital received \$-0- and \$5,735, respectively, in lease revenue from Floyd Valley Home Medical Equipment related to this agreement. In fiscal year June 30, 2019, Floyd Valley Home Medical Equipment no longer leased employees from Hospital.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 10 LONG-TERM DEBT

The City of Le Mars, Iowa entered into loan agreements for the purpose of providing funds to the Hospital to finance improvements to expand and remodel portions of the Hospital's existing facilities and to refund the Series 2002 notes. The loan agreements will not constitute general obligations of the City, nor will they be payable in any manner by taxation, but will be payable solely and only from the net revenues of the Hospital. The loan agreements provide for the following:

	Outstanding June 30	
	2020	2019
Revenue Bonds, Series 2013B		
<ul style="list-style-type: none"> The City of LeMars, Iowa (the City) and the Hospital entered into a loan agreement dated November 17, 2016 with the USDA. The USDA loaned to the City and the Hospital the sum of \$15,750,000 and the City issued the Series 2016 Bonds to be repaid by the Hospital. The bonds will bear interest at the rate of 2.375% annually. Monthly payments are to be made in the amount of \$55,256 with the final payment due November 2051. 	\$14,631,250	\$14,941,478
<ul style="list-style-type: none"> Series 2013B Hospital Revenue Bond in the total amount of \$5,250,000. The funds are to be used to pay a portion of the project costs and to refund the Series 2002 notes. The loan has an interest rate of 2.950% and is payable in monthly installments of \$29,092 through November 2036. 	<u>4,512,803</u>	<u>4,722,290</u>
Totals	19,144,053	19,663,768
Less current maturities	<u>534,845</u>	<u>521,007</u>
Total long-term debt	<u>\$18,609,208</u>	<u>\$19,142,761</u>

As to the above Hospital Revenue Bonds, the Hospital has pledged all future revenues, net of certain operating expenses, to repay the principal and interest. The net revenues are pledged through November 2051. As of June 30, 2020 the remaining principal and interest on the Bonds was \$26,559,164. Following is a comparison of the pledged net revenues and the principal and interest requirements of the bonds for the years ended June 30, 2020 and 2019:

	2020	2019
Change in net position	\$ 912,532	\$1,080,319
Provision for depreciation and amortization	2,556,794	2,476,357
Interest and amortization expense	<u>499,288</u>	<u>515,716</u>
Pledged net revenues	<u>\$3,968,614</u>	<u>\$4,072,392</u>
Principal and interest requirements	<u>\$1,012,182</u>	<u>\$1,012,182</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 10 LONG-TERM DEBT (continued)

Scheduled principal and interest repayments on the revenue bonds are as follows:

<u>Year ending June 30</u>	<u>Revenue Bonds Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 534,845	\$ 477,337	\$ 1,012,182
2022	549,055	463,127	1,012,182
2023	563,647	448,534	1,012,181
2024	578,633	433,548	1,012,181
2025	594,023	418,159	1,012,182
2026-2030	3,215,884	1,845,024	5,060,908
2031-2035	3,667,922	1,392,986	5,060,908
2036-2040	2,865,423	943,209	3,808,632
2041-2045	2,682,097	633,252	3,315,349
2046-2050	3,019,923	295,425	3,315,348
2051-2052	<u>920,587</u>	<u>16,524</u>	<u>937,111</u>
Totals	19,192,039	<u>\$7,367,125</u>	<u>\$26,559,164</u>
Less current maturities	534,845		
Less unamortized discount	<u>47,986</u>		
Total long-term debt	<u>\$18,609,208</u>		

The resolutions require, among other things, the maintenance of a "Sinking Fund" and "Debt Service Reserve Fund", (See Note 7). Monthly transfers are to be made to the Sinking Fund sufficient to pay the principal and interest due on the bonds on the next payment date on the bonds as required. Payments to the Debt Service Reserve Fund are to be monthly payments of \$5,529 until a total of \$663,396 has accumulated.

Long-term debt activity for the years ended June 30, 2020 and 2019 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
2020					
Hospital revenue bond – Series 2016	\$14,941,478	\$ —	\$ 310,228	\$14,631,250	\$ 318,101
Hospital revenue bond – Series 2013B	<u>4,722,290</u>	<u>—</u>	<u>209,487</u>	<u>4,512,803</u>	<u>216,744</u>
Totals	<u>\$19,663,768</u>	<u>\$ —</u>	<u>\$ 519,715</u>	<u>\$19,144,053</u>	<u>\$ 534,845</u>
2019					
Hospital revenue bond – Series 2016	\$15,244,431	\$ —	\$ 302,953	\$14,941,478	\$ 310,643
Hospital revenue bond – Series 2013B	4,925,982	—	203,692	4,722,290	210,364
Hospital revenue bond – Series 2013C	<u>400,001</u>	<u>—</u>	<u>400,001</u>	<u>—</u>	<u>—</u>
Totals	<u>\$20,570,414</u>	<u>\$ —</u>	<u>\$ 906,646</u>	<u>\$19,663,768</u>	<u>\$ 521,007</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 11 CHARITY CARE

The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The following information measures the level of charity care provided during the years ended June 30, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Charges foregone, based on established rates	\$ <u>222,624</u>	\$ <u>195,087</u>
Equivalent percentage of charity care patients to all patients served	<u>.4%</u>	<u>.3%</u>

NOTE 12 PENSION PLAN

Plan Description

IPERS is a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System. Membership is mandatory for employees of the Hospital, except for those covered by another retirement system. IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (continued)

Disability and Death Benefits

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal years 2020 and 2019, pursuant to the required rate, Regular members contributed 6.29 percent of pay and the Hospital contributed 9.44 percent for a total rate of 15.73 percent, respectively.

The Hospital's contributions to IPERS for the years ended June 30, 2020 and 2019 were \$1,325,670 and \$1,316,142, respectively.

Net Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2020 and 2019, the Hospital reported a liability of \$10,567,068 and \$11,309,086, respectively, for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. The following table summarizes the change in the Hospital's proportionate share:

	Measurement Date		Change
	June 30		
	2019	2018	
Hospital's proportionate share	<u>0.182485%</u>	<u>0.178708%</u>	<u>0.003777%</u>

For the years ended June 30, 2020 and 2019, the Hospital recognized pension expense of \$2,079,110 and \$1,627,019, respectively. At June 30, 2020 and 2019, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions (continued)

	Pension Related Deferred			
	Outflows of Resources		Inflows of Resources	
	2020	2019	2020	2019
Difference between expected and actual experience	\$ 29,295	\$ 62,006	\$ 379,937	\$ 255,604
Change in assumptions	1,131,884	1,613,311	—	—
Net difference between projected and actual earnings on pension plan investments	—	—	1,190,781	310,737
Change in proportion and difference between Health Center contributions and proportionate share of contributions	462,619	499,835	86,837	137,582
Hospital contributions subsequent to the measurement date	<u>1,325,670</u>	<u>1,316,142</u>	<u>—</u>	<u>—</u>
Totals	<u>\$2,949,468</u>	<u>\$3,491,294</u>	<u>\$1,657,555</u>	<u>\$ 703,923</u>

\$1,325,670 reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>Regular Members</u>
2021	\$ 370,304
2022	(166,237)
2023	(87,857)
2024	(141,295)
2025	<u>(8,672)</u>
Totals	<u>\$ (33,757)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation	2.60% per annum
Rate of salary increase	3.25% to 16.25%, average, including inflation
Wage Growth Rate	3.25% per annum, based on 2.6% inflation and 0.65% real wage inflation
Long-term investment rate of return	7% compounded annually, net of investment expense, Including inflation

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (continued)

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Plus Fixed Income	27.0%	1.97%
Domestic equity	22.0	6.01
International equity	15.0	6.48
Private equity	11.0	10.81
Private credit	3.0	3.11
Global smart beta equity	3.0	6.23
Public real assets	7.0	2.91
Public credit	3.5	3.93
Private real assets	7.5	4.14
Cash	<u>1.0</u>	(0.25)
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the total pension liability was seven percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, the IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 12 PENSION PLAN (continued)

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7 percent, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6 percent) or 1-percentage-point higher (8 percent) than the current rate.

	1% Decrease (6%)	Discount Rate (7%)	1% Increase (8%)
Hospital's proportionate share of the net pension liability – June 30, 2020	<u>\$18,763,702</u>	<u>\$10,567,068</u>	<u>\$3,691,822</u>
	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Hospital's proportionate share of the net pension liability – June 30, 2019	<u>\$19,193,791</u>	<u>\$11,309,086</u>	<u>\$4,694,990</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

Payables to the Pension Plan

At June 30, 2020 and 2019, the Hospital reported payables to the defined benefit pension plan of approximately \$233,000 and \$200,000, respectively, for legally required employee and employer contributions not yet remitted to IPERS.

NOTE 13 EMPLOYEE BENEFITS

The Hospital has a self-insured health insurance program for all employees. Claims for health care services covered under the program for employees and their families are accrued when incurred. The plan contains a stop-loss provision which limits the amount of claims paid by the plan to \$75,000 per person and approximately \$3,406,000 in the aggregate. Expense under this self-insurance program for the years ended June 30, 2020 and 2019 approximated \$2,880,000 and \$2,625,000, respectively, which includes program administration expenses.

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS**

NOTE 14 OTHER POST EMPLOYMENT BENEFITS

Plan Description

The Hospital administers a single-employer benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

Individuals who are employed by the Hospital and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>331</u>
Total	<u>332</u>

Net OPEB Liability

The Hospital's Net OPEB liability of \$80,243 and \$73,513 was measured as of June 30, 2020 and 2019, and was determined by an actuarial valuation as of June 30, 2019.

Actuarial Assumptions

The Net OPEB liability as of June 30, 2020 was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation	3% per year
Rates of salary increase	4% per year
Discount rate	3.50% per annum
Healthcare cost trend rate	5% per year

The discount rate used to measure the Net OPEB liability was 3.50% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates were based on the RP-2014 annuitant distinct mortality table adjusted to 2006 with MP 2019 generational projection of future mortality improvement.

The future retiree participation rate was assumed to be 5% and the initial spouse participation rate was assumed to be 25% for males and females.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 14 OTHER POST EMPLOYMENT BENEFITS (continued)

Changes in Net OPEB Liability

	Year ended June 30	
	2020	2019
OPEB liability, beginning of year	\$ 73,513	\$ 63,355
Changes for the year		
Service cost	5,380	3,244
Interest on the Net OPEB liability	2,737	2,554
Differences between expected and actual experience	—	3,777
Changes in assumptions or other inputs	—	1,844
Benefit payments	<u>(1,387)</u>	<u>(1,261)</u>
OPEB liability, end of year	<u>\$ 80,243</u>	<u>\$ 73,513</u>

Changes in assumptions or other inputs for year ended June 30, 2019 includes a change in discount rate from 3.87% in fiscal year 2018 to 3.50% in fiscal year 2019.

Sensitivity of the Hospital's Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB liability of the Hospital, as well as what the Hospital's Net OPEB liability would be if it were calculated using a discount rate that is 1% lower, 2.50%, or 1% higher, 4.50%, than the current discount rate.

	1% Decrease 2.50%	Discount Rate 3.50%	1% Increase 4.50%
Hospital's Net OPEB liability	<u>\$ 86,639</u>	<u>\$ 80,243</u>	<u>\$ 74,363</u>

Sensitivity of the Hospital's Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Net OPEB liability of the Hospital, as well as what the Hospital's Net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower, 4% or 1% higher, 6% than the current healthcare cost trend rates.

	1% Decrease 4%	Trend Rate 5%	1% Increase 6%
Hospital's Net OPEB liability	<u>\$ 72,018</u>	<u>\$ 80,243</u>	<u>\$ 89,800</u>

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended Jun 30, 2020 and 2019, the Hospital recognized OPEB expense of \$6,813 and \$6,401, respectively. At June 30, 2020, the Hospital reported deferred outflows of resources related to OPEB from the following sources:

	OPEB Related Deferred Outflows of Resources	
	2020	2019
Differences between expected and actual experience	\$ 3,065	\$ 3,421
Changes in assumptions or other inputs	<u>5,472</u>	<u>6,131</u>
Total deferred outflows of resources	<u>\$ 8,537</u>	<u>\$ 9,552</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 14 OTHER POST EMPLOYMENT BENEFITS (continued)

OPEB Expense and Deferred Outflows of Resources Related to OPEB (continued)

The amount reported as deferred outflows of resources related to OPEB will be recognized net of OPEB expense as follows:

Year ending June 30,

2021	\$ 1,015
2022	1,015
2023	1,015
2024	1,015
2025	1,015
Thereafter	<u>3,462</u>
Total deferred outflows of resources	<u>\$ 8,537</u>

NOTE 15 CONTINGENCIES

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Coverage limits are \$1,000,000 per claim and \$3,000,000 in the aggregate.

The Hospital is from time to time subject to claims and suits alleging malpractice. In the opinion of management, the ultimate cost, if any, related to the resolution of such pending legal proceedings will be within the limits of insurance coverage and, accordingly, will not have a significant effect on the financial position or the results of operations of the Hospital.

Incidents occurring through June 30, 2020 may result in the assertion of claims. Other claims may be asserted arising from services provided to patients in the past. Management is unable to estimate the ultimate cost, if any, of the resolution of such potential claims and, accordingly, no accrual has been made for them; however, management believes that these claims, if asserted, would be settled within the limits of insurance coverage.

NOTE 16 NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

Medicare and Medicaid

The Hospital is designated a Critical Access Hospital. As a Critical Access Hospital, most services to Medicare beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediary. The Iowa Medicaid Program has transitioned management of the program to managed care organizations. As a result, the Hospital is reimbursed using rates which are prospectively set by contracts with managed care organizations and is no longer subject to a final settlement based on actual costs incurred. The Hospital's classification of patients under the programs and the appropriateness of their admission are subject to an independent review by peer review organizations. The Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2018.

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS**

NOTE 16 NET PATIENT SERVICE REVENUE (continued)

Other

The Hospital has payment agreements with Wellmark, other commercial insurance carriers and health maintenance organizations. The basis for reimbursement under these agreements includes discounts from established charges and prospectively determined rates.

NOTE 17 HOSPITAL RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance purchased from independent third parties. The Hospital assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 18 SPLIT INTEREST AGREEMENT

The Hospital is a party of a split-interest agreement. The Hospital reports separately the fair value of the assets of the split-interest agreement in its balance sheet and a change in value of \$(9,000) and \$(60,000) for the years ended June 30, 2020 and 2019, respectively, from the split-interest agreement in its statements of revenues, expenses and changes in net position.

Charitable remainder unitrust are arrangements between a donor, who establishes the trust, and the Hospital as beneficiary. The donor contributed assets to the trust in exchange for a promise from the trust to pay the donor the lesser of a fixed percentage amount of 5% of net fair value of the assets of the trust or trust income, for the life of the donor. Assets received have been recognized at fair value. Unrestricted contribution revenue is recognized at the same value because trust income and expense are expected to be the same. To calculate the present value of the charitable remainder unitrust, the 2003 life expectancy tables (published by the National Center of Health Statistics) and a 6% discount rate were used.

NOTE 19 FLOYD VALLEY HOSPITAL FOUNDATION

In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the Hospital's management has determined that the Floyd Valley Hospital Foundation is a component unit of the Hospital. The Floyd Valley Hospital Foundation was established to raise funds to support the operations and other activities of the Floyd Valley Hospital. And as such, the Foundation is considered to be a component unit of the Hospital based on the related benefits to the Hospital. The Foundation's audited statement of financial position as of June 30, 2020 and 2019, and audited statements of activities and cash flows for the year then ended, are included on pages 17-19.

NOTE 20 ASSETS HELD AT THE AVERA HEALTH FOUNDATION

The Floyd Valley Hospital Foundation (FVHF) has transferred assets to the Avera Health (AH) to be part of a common investment fund, Avera Health Pooled Investments (AHPI).

Amounts reported in the statement of financial position of FVHF as interest in the net assets of AHPI represents the net cumulative transfers by FVHF to AHPI as well as earnings net of disbursements. Distributions may be requested from time to time from the investment fund to meet the requirements FVHF has established for its charitable, educational or scientific purposes. Generally, FVHF can request payment for all or any part of its funds upon thirty day notice to AH.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 20 ASSETS HELD AT THE AVERA HEALTH FOUNDATION (continued)

The assets transferred to AHPI are invested in a pooled investment fund at the direction of AHPI Committee. The objective of the fund is optimum total return consistent with a high degree of liquidity and reasonable safety of principal. Avera Health Pooled Investments includes investments in securities that are measured at fair value using inputs under the guidance provided by The Fair Value Measurements and Disclosures Topic of the *FASB Accounting Standards Codification*. Avera Health Pooled Investments also includes investments that are recorded at historic cost, subject to an annual impairment test, or under the equity method as described in the investment policy.

The investment allocations at June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Non-publicly traded stocks, trusts, and partnerships (alternative investments)	13.6%	19.0%
US Treasury and Agency obligations	1.4%	2.0%
Foreign stocks and other	4.2%	5.3%
Publicly traded equity securities	5.8%	6.2%
Cash and short-term investments	23.9%	7.1%
Corporate bonds	1.3%	1.2%
Publicly traded mutual funds	<u>49.8%</u>	<u>59.2%</u>
	<u>100.0%</u>	<u>100.0%</u>

Investment income, realized and unrealized gains and losses, of the investment pool are allocated to the FVHF based on the pooled assets value. Allocation of investment income is as follows for the year ended June 30, 2020 and 2019 are as follows:

	<u>2020</u>	<u>2019</u>
Interest, dividends and net realized gains and losses	\$ 18,220	\$ 21,136
Net unrealized gains (losses)	<u>(41,130)</u>	<u>3,120</u>
Investment gain (loss)	<u>\$ (22,910)</u>	<u>\$ 24,256</u>

NOTE 21 FLOYD VALLEY HOSPITAL FOUNDATION NET ASSETS

Net assets with donor restrictions are available for the following purposes at June 30, 2020 and 2019 follows:

	<u>2020</u>	<u>2019</u>
Medical records equipment	\$ 1,389	\$ 1,389
Capital campaign	460,178	428,232
Pediatric equipment	81,594	65,371
Employee assistance	86,936	130,670
EMS training scholarship and endowment	230,789	229,562
Park Place Estates	<u>2,761</u>	<u>2,761</u>
	<u>\$ 863,647</u>	<u>\$ 857,985</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 22 ENDOWMENT

The Foundation's endowment funds consist of Board designated assets and net assets with donor restrictions, which are available for a variety of purposes.

The Foundation has adopted the practice of preserving the fair value of the original gift as of the gift date of the permanently restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, and (b) the original value of subsequent gifts to the permanent endowment. Use of the investment income from the assets may be unrestricted and used as the Foundation deems necessary for the purposes for which the original restricted gift was received. Currently, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Foundation and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Foundation
- The investment policies of the Foundation

From time to time, the fair value of assets associated with donor-restricted funds may fall below the level that the donor requires the Foundation to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net assets. As of June 30, 2020 and 2019 the Foundation did not have a deficiency in donor-restricted funds.

	<u>Year ended June 30, 2020</u>			<u>Year ended June 30, 2019</u>		
	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 80,540	\$ 857,985	\$ 938,525	\$ 77,781	\$ 849,457	\$ 927,238
Investment return						
Investment income	(464)	(837)	(1,301)	2,936	14,174	17,110
Contributions and special events	—	89,602	89,602	—	169,196	169,196
Appropriation of endowment assets						
For expenditure	<u>(187)</u>	<u>(83,103)</u>	<u>(83,290)</u>	<u>(177)</u>	<u>(174,842)</u>	<u>(175,019)</u>
Endowment assets, end of year	<u>\$ 79,889</u>	<u>\$ 863,647</u>	<u>\$ 943,536</u>	<u>\$ 80,540</u>	<u>\$ 857,985</u>	<u>\$ 938,525</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 23 CONTRIBUTIONS RECEIVABLE

As of June 30, 2020 and 2019, the Foundation's contributions receivable consists of promises to give to assist in funding the Hospital's expansion and renovation project. The Foundation has not recorded an allowance for uncollectible receivables as of June 30, 2020 and 2019 as it is estimated that all amounts will be collected.

A summary of activity for the years ended June 30, 2020 and 2019 is as follows:

	June 30	
	<u>2020</u>	<u>2019</u>
Contributions receivable, beginning of year	\$ 425,468	\$ 464,295
Contributions made during the year		—
Payments received	(2,000)	(103,341)
Change in discount on receivables (7% - 2020 and 2019)	<u>29,782</u>	<u>64,514</u>
Contributions receivable, end of year	<u>\$ 453,250</u>	<u>\$ 425,468</u>

As of June 30, 2020, the pledges are expected to be received in the following periods:

In one year or less	\$ 202,000
Between one and five years	308,967
Less discount	<u>(57,717)</u>
Total	<u>\$ 453,250</u>

NOTE 24 CMS ADVANCED PAYMENTS AND COVID-19 PROVIDER RELIEF FUNDS

During the year ended June 30, 2020, the Hospital received \$5,670,000 from the U.S. Department of Health and Human Services, HHS, in accordance with accelerated payment provisions of the Coronavirus Aid, Relief, and Economic Security, Cares Act, accelerated payment program. The amount is reported as a current liability, included in CMS advance payments on the statements of net position, at June 30, 2020. It is anticipated this amount will be repaid to HHS during the fiscal year ending June 30, 2021.

The Hospital received \$4,739,492 of Coronavirus Aid, Relief, and Economic Security (CARES) Act Provider Relief Funds administered by the Department of Health and Human Services (HHS). The funds are subject to terms and conditions imposed by HHS. Among the terms and conditions is a provision that payments will only be used to prevent, prepare for, and respond to COVID-19 and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to COVID-19. Recipients may not use the payments to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse. HHS currently has a deadline to incur eligible expenses through June 30, 2021.

These funds are considered subsidies and recorded as a liability when received and are recognized as nonoperating revenues in the accompanying statements of revenues, expenses, and changes in net position as all terms and conditions are considered met. The terms and conditions are subject to interpretation and future clarification. In addition, this program may be subject to oversight, monitoring and audit. Failure by a provider that received a payment from the Provider Relief Fund to comply with any term or condition can subject the provider to recoupment of some or all of the payment. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

During the year ended June 30, 2020, the Hospital recognized \$1,858,813 as revenue, included as nonoperating activities on the statement of revenues, expenses, and changes in net position. As of June 30, 2020, the Hospital had a liability of \$2,880,679, which was included in current liabilities on the accompanying statement of net position.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO FINANCIAL STATEMENTS

NOTE 25 PAYCHECK PROTECTION PROGRAM LOAN

The Hospital was granted a \$3,735,200 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the SBA. The Hospital is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Hospital has recorded a note payable and will record the forgiveness upon being legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended June 30, 2020. The Hospital will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness. The Hospital has accrued \$6,940 of interest on the loan as of June 30, 2020. The loan is currently scheduled to be paid as follows:

Fiscal year ending June 30	
2021	\$1,661,443
2022	<u>2,080,697</u>
Total, including accrued interest	<u>\$3,742,140</u>

REQUIRED SUPPLEMENTARY INFORMATION

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
Schedule of Comparative Budgetary Reporting
Year ended June 30, 2020

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. The Hospital annually adopts a budget and presents it to the City Council for inclusion in the City's annual budget, which is adopted following required public notice and hearings for all funds. The City's annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The Hospital prepares its annual budget on a basis (budget basis) which differs from generally accepted accounting principles (GAAP basis). The major differences between budget and GAAP basis is that interest expense, property and equipment additions, and debt service principal amounts are included in operating expenditures on the budget basis.

The following is a comparison of reported expenses to budget:

	<u>Operating expenses (GAAP basis)</u>	<u>Budget basis adjustment</u>	<u>Budget basis</u>	<u>Budgeted amounts</u>	<u>Amount over (under) budget</u>
Year ended June 30, 2020 totals	<u>\$42,307,695</u>	<u>\$1,794,305</u>	<u>\$44,102,000</u>	<u>\$52,000,000</u>	<u>\$(7,898,000)</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF CHANGES IN THE HOSPITAL'S NET OPEB LIABILITY, RELATED RATIOS AND NOTES
Required Supplementary Information
Year ended June 30, 2020

	Year ended June 30	
	2020	2019
Service cost	\$ 5,380	\$ 3,244
Interest cost	2,737	2,554
Differences between expected and actual experience	—	3,777
Changes in assumptions or other inputs	—	1,844
Benefit payments	<u>(1,387)</u>	<u>(1,261)</u>
Net change in Net OPEB liability	6,730	10,158
Net OPEB liability, beginning of year	<u>73,513</u>	<u>63,355</u>
Net OPEB liability, end of year	\$ <u>80,243</u>	\$ <u>73,513</u>
Covered-employee payroll	<u>\$14,842,178</u>	<u>\$14,639,358</u>
Net OPEB liability as a percentage of covered-employee payroll	.54%	.50%

Notes to Schedule

Changes in benefit terms

There were no significant changes in benefit terms.

Changes in assumptions or other inputs

Changes in assumptions or other inputs reflect the effects of changes in the discount rate each period.
The following is the discount rate used for the period.

Year ended June 30, 2019	3.87%
Year ended June 30, 2020	3.50%

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF THE HOSPITAL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	Year ended June 30					
	2020	2019	2018	2017	2016	2015
Hospital's proportion of the net pension liability	.182485%	.178708%	.170337%	.173982%	.167890%	.171368%
Hospital's proportionate share of the net pension liability	\$10,567	\$11,309	\$11,347	\$10,949	\$8,295	\$6,796
Hospital's total payroll	\$14,800	\$14,600	\$14,000	\$13,300	\$12,500	\$11,767
Hospital's proportionate share of the net pension liability as a percentage of its total payroll	71%	78%	81%	82%	66%	58%
Plan fiduciary net position as a percentage of the total pension liability	85%	83%	82%	81%	85%	88%

See accompanying notes to required supplementary information - pension liability.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF HOSPITAL PENSION CONTRIBUTIONS
Iowa Public Employees' Retirement System
(In Thousands)
Required Supplementary Information

	Year ended June 30			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 1,326	\$ 1,316	\$ 1,199	\$ 1,138
Contributions in relation to the statutorily required contribution	<u>1,326</u>	<u>1,316</u>	<u>1,199</u>	<u>1,138</u>
Contribution deficiency (excess)	\$ <u><u>—</u></u>	\$ <u><u>—</u></u>	\$ <u><u>—</u></u>	\$ <u><u>—</u></u>
Hospital's total payroll	\$14,800	\$14,600	\$14,000	\$13,300
Contributions as a percentage of total payroll	9.0%	9.0%	8.6%	8.6%

See accompanying notes to required supplementary information - pension liability.

Year ended June 30					
<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,116	\$ 1,031	\$ 1,004	\$ 953	\$ 854	\$ 695
<u>1,116</u>	<u>1,031</u>	<u>1,004</u>	<u>953</u>	<u>854</u>	<u>695</u>
\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>—</u>
\$12,500	\$11,767	\$11,417	\$11,242	\$10,747	\$10,203
8.9%	8.8%	8.8%	8.5%	8.0%	6.8%

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY
Year ended June 30, 2020

CHANGES OF BENEFIT TERMS

There were no significant changes in benefit terms from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

CHANGES OF ASSUMPTIONS

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted to probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2018:

- Decreased in inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.



INDEPENDENT AUDITOR'S REPORT ON THE SUPPLEMENTARY INFORMATION

Board of Trustees
Floyd Valley Hospital
d/b/a Floyd Valley Healthcare
Le Mars, Iowa

We have audited the financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare as of and for the years ended June 30, 2020 and 2019, and our report thereon dated October 14, 2020, which expressed an unmodified opinion on those financial statements, appears on pages 4 and 5. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The following supplementary information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for that portion marked "unaudited", was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audits of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Denman & Company, LLP
DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 14, 2020

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
ANALYSIS OF PATIENT RECEIVABLES**

<u>Age of accounts (by date of discharge)</u>	<u>Amounts</u>		<u>Percent to total</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
0 - 60 days	\$ 6,082,674	\$ 6,472,552	64.75%	63.05%
61 - 90 days	339,946	675,020	3.62	6.58
91 - 180 days	1,139,344	1,529,155	12.13	14.90
Over 6 months	<u>1,831,759</u>	<u>1,588,356</u>	<u>19.50</u>	<u>15.47</u>
Totals	<u>9,393,723</u>	<u>10,265,083</u>	<u>100.00%</u>	<u>100.00%</u>
Allowances				
Uncollectible accounts	1,457,144	1,538,547		
Contractual allowances	<u>2,937,560</u>	<u>3,443,277</u>		
Total allowances	<u>4,394,704</u>	<u>4,981,824</u>		
Totals	<u>\$ 4,999,019</u>	<u>\$ 5,283,259</u>		

ANALYSIS OF ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS

	<u>Year ended June 30</u>	
	<u>2020</u>	<u>2019</u>
BALANCE , beginning	\$1,538,547	\$1,478,728
ADD		
Provision for bad debts	1,297,875	1,437,766
Recoveries of accounts previously written off	244,493	167,791
LESS		
Accounts written off	<u>(1,623,771)</u>	<u>(1,545,738)</u>
BALANCE , ending	<u>\$1,457,144</u>	<u>\$1,538,547</u>

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
INVENTORIES**

	June 30	
	<u>2020</u>	<u>2019</u>
General stores	\$ 209,311	\$ 147,326
Pharmacy	222,486	234,799
Operating room	68,756	51,592
Intravenous solutions	<u>7,312</u>	<u>4,900</u>
Totals	<u>\$ 507,865</u>	<u>\$ 438,617</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
INSURANCE COVERAGE
(Unaudited)

Avera (policy expiration December 31, 2020)

Professional liability	\$1,000,000/3,000,000
General liability	\$1,000,000/3,000,000
Employee benefits liability	\$1,000,000/3,000,000

Physicians Umbrella/shared event limit	\$35,000,000
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Automobiles

Liability	\$1,000,000
Physical damage	\$500 deductible
Uninsured/under insured motorist	\$1,000,000
Medical payments	\$5,000

Directors' and officers' liability	\$5,000,000/\$15,000,000
Retention	\$50,000

Employee dishonesty liability	\$1,500,000
	\$25,000 deductible

Employed physician's liability	\$1,000,000/3,000,000
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Commercial property

Real property	\$46,255,904
Personal property	\$12,985,185
Earnings and extra expense	\$30,256,593
	\$10,000 deductible

Network Security

Shared limit	\$20,000,000
Retention	\$250,000

National Insurance Company (policy expiration November 1, 2020)

Workers' compensation	Statutory
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The summary of insurance coverage is presented on the basis of information obtained from policies on file at the Hospital.

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
PATIENT SERVICE REVENUE
Year ended June 30, 2020, with comparative totals for 2019

	2020			2019
	Inpatients	Outpatient	Total	Total
DAILY PATIENT SERVICES				
Medical, surgical and obstetric	\$3,119,500	\$ —	\$ 3,119,500	\$ 3,138,661
Long term care	536,250	—	536,250	403,040
Nursery	140,160	—	140,160	139,300
	<u>3,795,910</u>	<u>—</u>	<u>3,795,910</u>	<u>3,681,001</u>
OTHER NURSING SERVICES				
Operating and recovery rooms	1,516,222	4,314,621	5,830,843	6,630,296
Delivery and labor room	243,476	56,695	300,171	344,304
Central service and supply	948,445	1,276,971	2,225,416	2,051,419
Emergency service	169,958	9,521,852	9,691,810	10,116,472
Home health services	—	1,343,967	1,343,967	1,356,378
	<u>2,878,101</u>	<u>16,514,106</u>	<u>19,392,207</u>	<u>20,498,869</u>
OTHER PROFESSIONAL SERVICES				
Laboratory	747,808	6,841,765	7,589,573	7,088,670
Electrocardiology	38,772	1,034,464	1,073,236	1,507,522
Radiology	319,383	9,738,118	10,057,501	10,043,769
Pharmacy	725,933	2,338,146	3,064,079	3,427,053
Anesthesiology	428,842	1,586,595	2,015,437	2,031,952
Respiratory therapy	151,175	116,098	267,273	298,493
Physical therapy	185,606	1,743,393	1,928,999	1,977,485
Occupational therapy	78,493	219,483	297,976	348,236
Speech therapy	43,741	473,871	517,612	543,609
Enterostomy	60,783	585,456	646,239	574,783
Audiology	1,350	90	1,440	1,400
Clinics	—	11,351,281	11,351,281	11,095,861
Cardiac rehabilitation	—	211,680	211,680	151,200
Behavioral Health	—	81,380	81,380	—
	<u>2,781,886</u>	<u>36,321,820</u>	<u>39,103,706</u>	<u>39,090,033</u>
Totals	<u>\$9,455,897</u>	<u>\$52,835,926</u>	62,291,823	63,269,903
Charity care charges foregone, based on established rates			(222,624)	(195,087)
Total gross patient service revenue			62,069,199	63,074,816
Provisions for contractual and other adjustments			(26,041,206)	(27,042,628)
Net patient service revenue			<u>\$36,027,993</u>	<u>\$36,032,188</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
PROVISION FOR CONTRACTUAL AND OTHER ADJUSTMENTS

	Year ended June 30	
	2020	2019
Contractual adjustments	\$24,484,402	\$25,367,988
Employee and other allowances	258,929	236,874
Provision for bad debts	<u>1,297,875</u>	<u>1,437,766</u>
Totals	<u>\$26,041,206</u>	<u>\$27,042,628</u>

OTHER REVENUE

	Year ended June 30	
	2020	2019
Cafeteria	\$ 131,301	\$ 112,390
Rental income	107,571	111,010
Park Place Estates	1,417,784	1,326,242
Pharmacy 340b program	2,271,690	2,228,310
Other	<u>832,297</u>	<u>582,754</u>
Totals	<u>\$4,760,643</u>	<u>\$4,360,706</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
EXPENSES
Year ended June 30, 2020, with comparative totals for 2019

	2020			2019
	Salaries	Other	Total	Total
NURSING SERVICE				
Nursing administration	\$ 277,201	\$ 2,252	\$ 279,453	\$ 298,696
Medical and surgical	1,579,383	135,712	1,715,095	1,702,725
Nursery	37,205	13,513	50,718	39,111
Operating room	537,545	808,758	1,346,303	1,721,887
Delivery and labor room	87,529	4,516	92,045	84,887
Central service and supply	159,487	1,226,076	1,385,563	1,141,894
Emergency and outpatient service	995,814	1,876,037	2,871,851	2,626,840
Home health	768,746	219,681	988,427	990,244
Total nursing service	<u>4,442,910</u>	<u>4,286,545</u>	<u>8,729,455</u>	<u>8,606,284</u>
OTHER PROFESSIONAL SERVICE				
Laboratory	849,217	1,176,382	2,025,599	1,946,472
Electrocardiology	15,917	99,552	115,469	128,279
Radiology	1,469,259	1,135,155	2,604,414	2,497,404
Pharmacy	264,512	2,036,964	2,301,476	2,351,238
Anesthesiology	—	735,263	735,263	779,654
Respiratory therapy	125,183	3,497	128,680	145,790
Physical therapy	152,231	977,529	1,129,760	1,150,567
Occupational therapy	—	163,923	163,923	191,933
Occupational health	9,055	960	10,015	12,712
Floyd Valley Home Medical Equipment	—	167	167	63
Speech therapy	306,065	12,353	318,418	312,047
Enterostomy	182,517	13,821	196,338	205,784
Audiology	116	2,361	2,477	2,634
Clinics	3,226,865	3,689,704	6,916,569	6,352,682
Cardiac rehabilitation	44,807	1,096	45,903	39,330
Behavioral health	—	206,602	206,602	—
Infection control	47,593	4,266	51,859	2,602
Utilization and Quality assistance	107,195	5,851	113,046	113,811
Health information management	93,705	175,389	269,094	285,458
Social services	68,568	2,783	71,351	48,039
Total other professional service	<u>6,962,805</u>	<u>10,443,618</u>	<u>17,406,423</u>	<u>16,566,499</u>
GENERAL SERVICE				
Dietary	477,782	365,703	843,485	864,357
Plant engineering	297,481	426,452	723,933	765,891
Housekeeping	284,207	51,349	335,556	338,241
Laundry	—	87,139	87,139	82,756
Total general service	<u>1,059,470</u>	<u>930,643</u>	<u>1,990,113</u>	<u>2,051,245</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
EXPENSES (continued)
Year ended June 30, 2020, with comparative totals for 2019

	2020			2019
	Salaries	Other	Total	Total
FISCAL AND ADMINISTRATIVE SERVICE AND UNASSIGNED EXPENSES				
Administrative service	\$ 262,808	\$ 1,160,908	\$ 1,423,716	\$ 1,456,199
Business office	1,063,695	332,822	1,396,517	1,408,670
Data processing	123,274	1,013,046	1,136,320	1,072,894
Human resources	150,504	122,060	272,564	301,002
Risk management	71,965	164,785	236,750	229,618
Education	124,204	23,780	147,984	159,466
Foundation	50,756	949	51,705	51,466
Park Place Estates	529,787	107,782	637,569	606,583
Payroll taxes	—	3,098,649	3,098,649	2,642,295
Group health and life insurance	—	2,888,437	2,888,437	2,630,242
Life and disability insurance	—	183,969	183,969	182,738
Insurance	—	150,730	150,730	142,209
Total fiscal and administrative service and unassigned expenses	<u>2,376,993</u>	<u>9,247,917</u>	<u>11,624,910</u>	<u>10,883,382</u>
PROVISION FOR DEPRECIATION	<u>—</u>	<u>2,556,794</u>	<u>2,556,794</u>	<u>2,476,357</u>
Total expenses	<u>\$14,842,178</u>	<u>\$27,465,517</u>	<u>\$42,307,695</u>	<u>\$40,583,767</u>

Floyd Valley Hospital d/b/a Floyd Valley Healthcare
COMPARATIVE STATISTICS
(Unaudited)

	Year ended June 30	
	<u>2020</u>	<u>2019</u>
PATIENT DAYS		
Acute	1,489	1,521
Nursery	192	199
Swing bed		
Skilled nursing care	638	508
Intermediate care	<u>28</u>	<u>40</u>
Totals	<u><u>2,347</u></u>	<u><u>2,268</u></u>
 ADMISSIONS	516	495
DISCHARGES	510	492
AVERAGE LENGTH OF STAY, acute	2.92	3.09
 BEDS	25	25
OCCUPANCY PERCENT, ACUTE	16.27%	16.67%
 NET PATIENT SERVICE REVENUE PER CALENDAR DAY	\$98,440	\$98,730
 NUMBER OF DAYS NET PATIENT SERVICE REVENUE IN NET PATIENT RECEIVABLES AT END OF YEAR	50.78	53.52



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Trustees
Floyd Valley Hospital d/b/a Floyd Valley Healthcare
and Floyd Valley Hospital Foundation
LeMars, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Floyd Valley Hospital d/b/a Floyd Valley Healthcare and its component unit, Floyd Valley Hospital Foundation, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Floyd Valley Hospital's and its component unit's basic financial statements, and have issued our report thereon dated October 14, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hospital's and Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's and Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's and Foundation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hospital's and Foundation's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hospital's and Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the Hospital's and Foundation's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Hospital and Foundation. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Those comments are presented in Part II of the accompanying Schedule of Findings.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hospital's and Foundation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Hospital's and Foundation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


DENMAN & COMPANY, LLP

West Des Moines, Iowa
October 14, 2020

**Floyd Valley Hospital d/b/a Floyd Valley Healthcare
SCHEDULE OF FINDINGS
Year ended June 30, 2020**

Part I—Findings Related to the Financial Statements

No matters regarding significant deficiencies, material weaknesses or instances of noncompliance relative to the financial statements were reported.

Part II—Findings Related to Required Statutory Reporting

20-II-A BUDGET

Based on a comparison of actual and budgeted expenditures, it appears the Hospital did not exceed its budget for the year ended June 30, 2020.

20-II-B QUESTIONABLE EXPENDITURES

No questionable expenditures of Hospital funds were noted.

20-II-C TRAVEL EXPENSES

No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

20-II-D BUSINESS TRANSACTIONS

No business transactions were found between the Hospital and Hospital officials and/or employees.

20-II-E BOARD MINUTES

No transactions were found that we believe should have been approved in the Board minutes but were not.

20-II-F DEPOSITS AND INVESTMENTS

We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the Hospital's investment policy.